

Test Yourself

Quiz 1 (cont'd)

**Determining
Payment
Periods**

3. Program Length: 38 credit hours
Academic Year: 24 credit hours

Year 1:

Payment Period #1: _____ hours to _____ hours
Payment Period #2: _____ hours to _____ hours

Year 2:

Payment Period #3: _____ hours to _____ hours
Payment Period #4: _____ hours to _____ hours

D. METHODS OF DISBURSEMENT

Notes

1. Crediting Students' Accounts

REQUIREMENTS FOR CREDITING STUDENTS' ACCOUNTS*

When Authorizations are Required

- ◆ No written authorization is required to apply Title IV funds to the following allowable charges:
 - ◇ tuition,
 - ◇ fees, and
 - ◇ contractual charges with the school for room and board.
- ◆ With written authorization from a student or parent, Title IV funds may be used for:
 - ◇ institutional charges that are incurred by the student for educationally related activities.
 - ◇ minor prior-year charges, if these charges are less than \$100 or if the payment of these charges does not and will not prevent the student from paying his or her current educational costs.

Loan Programs

- ◆ When a school disburses Direct Loan Program funds by crediting a student's account at the school, the school must first credit the student's account with those funds to pay for outstanding current and authorized charges.
- ◆ When a school credits a student's account with Federal Perkins Loan funds (applies to promissory notes containing provisions effective 7/1/96 and beyond), Direct Loan funds, or FFEL funds received by EFT or master check, it must notify the student or parent in writing or electronically no earlier than 30 days before or later than 30 days after crediting the account of:
 - ◇ the date and amount of the disbursement,
 - ◇ the borrower's right to cancel all or a portion of the loan, and
 - ◇ the procedures and time by which the borrower must notify the school that he or she wishes to cancel all or a portion of the loan.

If the school sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and the school must maintain a copy of that confirmation. The school must return the loan proceeds, cancel the loan, or do both, if the school receives a cancellation request from the borrower within 14 days after the date the school sends the disbursement notice or, if the school sends the notice more than 14 days before the first day of the payment period, by the first day of the payment period. In addition, a school may return the loan proceeds, cancel the loan, or do both, if the school receives the notice after this deadline, but *it is not required to do so*. A school must inform the borrower in writing or electronically about the results of any cancellation request.

* See 34 CFR 668.164 and 34 CFR 668.165.

2. Paying Students or Parents Directly

- If a school does not credit a student's account, it must pay the student or parent directly.



Paying Students or Parents Directly

- ♦ A direct payment may be a check payable to a student.
- ♦ A co-payable check sent by an FFEL lender may be used to pay the student or parent borrower directly.
- ♦ A direct payment may be an EFT to a bank account designated by the student or parent.
- ♦ A school may dispense cash to a student or parent.

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Notes

E. TITLE IV CREDIT BALANCES

Notes

- Crediting a student's account may generate a credit balance.

Discussion Questions:

- How many schools do we have where the financial aid office is responsible for getting student authorization to hold Title IV credit balances? The business office?
- Do you have good systems for sharing this information?

AUTHORIZATIONS*

- ◆ Schools must get written authorization from a student or parent to:
 - ◇ disburse Title IV Program funds to a student's or parent's bank account by EFT,
 - ◇ use Title IV Program funds to pay for charges other than those specifically allowed by federal regulations (tuition, fees, and contractual charges with the school for room and board), or
 - ◇ hold Title IV credit balances.
- ◆ These authorizations cannot be required by the school.
- ◆ A written authorization is good for the period during which the student is enrolled at the school, as long as the student or parent does not rescind it. A break in enrollment does not invalidate the authorization.
- ◆ The written authorization must allow the student or parent the opportunity to cancel or modify the original authorization at any time.
- * See 34 CFR 668.165.

F. PAYING TITLE IV CREDIT BALANCES

Notes



Paying Title IV Credit Balances

A school must pay a credit balance to a student or notify the student that the credit balance is available on request no later than 14 days after:

- ♦ the first day of classes of a payment period if the credit balance occurred on or before the first day of class of the payment period,

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Paying Title IV Credit Balances (cont'd)

- ♦ the date the balance occurs if the credit balance occurred after the first day of class of the payment period, or
- ♦ the date when a student or parent rescinds authorization to hold funds.

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- Examples of when credit balances must be paid appear on the next page. *The Blue Book*, Section 4.7, page 4-27, has another example.

WHEN TITLE IV CREDIT BALANCES MUST BE PAID

Example A

No later than 14 calendar days after the first day of class of a payment period if the Title IV credit balance occurred *on or before* the first day of that payment period.

Day Title IV Credit Balance Occurred	First Day of Classes	14 Days After First Day of Classes of Payment Period
September 5, 1999	September 10, 1999	September 24, 1999

Example B

No later than 14 calendar days after the balance occurred if the Title IV credit balance occurred *after* the first day of a payment period.

First Day of Classes	Day Title IV Credit Balance Occurred	14 Days After First Title IV Credit Balance Occurred
September 10, 1999	September 20, 1999	October 4, 1999

Example C

No later than 14 calendar days after the date the student or parent rescinds the authorization for the school to hold funds.

Student/Parent Rescinds Authorization	14 Days After Authorization Rescinded
September 13, 1999	September 27, 1999

G. HOLDING TITLE IV CREDIT BALANCES

Notes



Holding Title IV Credit Balances With Authorization

The school must:

- ♦ identify the student and the amount of funds held for that student in a subsidiary ledger;
- ♦ maintain, at all times, cash in its bank account at least equal to the amount of the funds being held; and
- ♦ release any remaining balance on loan funds by the end of the loan period and any remaining Title IV funds by the end of the award year.

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H. OTHER TIMING ISSUES: WHEN IS A “DISBURSEMENT” REALLY A DISBURSEMENT?

- A school may not credit a student’s account with Title IV funds until the student is enrolled.



Definition of Enrolled Student

Federal regulations define an enrolled student as one who:

- ♦ has completed registration requirements (except for paying tuition and fees) at the school the student is actually attending or
- ♦ has been admitted to a correspondence program and submitted one lesson completed by the student after being officially accepted.

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Early Disbursement

Except for students subject to delayed disbursement, the earliest a school may pay a student directly or credit a student's account with Title IV funds is ten days before:

- ♦ the first day of an enrollment period for which the disbursement is intended. This applies to first, second, and subsequent disbursements of Title IV funds, with certain exceptions.

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EXCEPTIONS TO DISBURSING TITLE IV FUNDS TEN DAYS BEFORE FIRST DAY OF ENROLLMENT PERIOD

- ◆ Students subject to the 30-day delayed disbursement in the FFEL and Direct Loan Programs
- ◆ For credit-hour standard term programs:
 - ◇ if the loan period is one payment period, the second disbursement of Direct Loan Program funds or the second delivery of FFEL Program funds cannot be made until the calendar midpoint between the first and last scheduled days of classes of the loan period.
- ◆ For clock-hour or nonterm credit-hour or nonstandard term programs:
 - ◇ the second or subsequent disbursement may not be made until the student has completed all of the hours for which he or she has already been paid.
 - ◇ the second disbursement of Direct Loan Program funds or the second delivery of FFEL Program funds cannot be made until the later of:
 - ♦ the calendar midpoint between the first and last scheduled days of the loan period or
 - ♦ the date, determined by the school, that the student has completed half of the coursework in the loan period for credit hour programs or half the clock hours in the loan period for clock-hour programs.



Delayed Disbursement

- ◆ No initial installments of Direct Loans or FFEL funds are credited to the accounts of or paid directly to first-year, first-time borrowers until 30 days after classes begin.
- ◆ This requirement does not apply to Federal PLUS loans or certain schools with low default rates.

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- Other disbursement considerations:
 - All FFEL Program loan checks must be delivered within 30 days of receipt.
 - All FFEL Program loan proceeds in the form of EFT or a master check must be delivered within ten business days (three business days as of July 1, 1999).
 - Direct Loans cannot be disbursed without a signed promissory note.
 - School must have a valid ISIR or SAR for a student before disbursing a Federal Pell Grant.
 - FWS wages cannot be paid without a signed time sheet indicating the hours actually worked.
- A quiz on managing funds appears on the next page. Take a few minutes to complete it.

Test Yourself

Quiz 2

Managing Funds

Michael, a first-time, first-year Title IV participant, is scheduled to receive a Federal Pell Grant and an FFEL Program loan for the upcoming academic year, which begins on September 2. The school is subject to the 30-day delayed disbursement requirement. Your school posts a credit of institutional funds to Michael's account for his Title IV funds on August 11.

1. The disbursement of Michael's Pell Grant officially occurs on:
 - a. August 11
 - b. August 23
 - c. September 2
 - d. none of the above
2. The disbursement of Michael's FFEL Program loan officially occurs on:
 - a. August 11
 - b. August 23
 - c. September 2
 - d. October 2
3. Michael would like some of his Title IV funds credited to some charges outside of fees, room, and board. What should your school do in response?
 - a. Don't take any special action, except to use Michael's funds based on his verbal request for charges covered after tuition, fees, room, and board have been met.
 - b. Obtain Michael's written authorization to use his Title IV funds to meet his request.
 - c. Tell Michael you are not allowed to use his funds for anything except room, board, books, and supplies.
 - d. Cut Michael a check for the amount of these extra charges.
4. After all of Michael's charges are met (October 4), a \$100 credit balance remains. Your school must pay Michael \$100 by:
 - a. October 4
 - b. October 11
 - c. October 18
 - d. the end of the payment period

I. LATE DISBURSEMENTS

Notes



Late Disbursements

A school may make a late disbursement:

- ♦ for the Pell Grant, FSEOG, and Perkins Loan Programs if the student is no longer enrolled at the school for the award year and
- ♦ for the Direct Loan and FFEL Programs if the student is enrolled on at least a half-time basis for the loan period.

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Late Disbursement Criteria

- ♦ Funds must be used to pay for educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible.
- ♦ The disbursement must be made no later than 90 days after the student became ineligible.

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Program-Specific Late Disbursement Criteria

School must have documentation on file before the date the student stopped being eligible:

- ♦ Federal Pell Grant: Valid SAR or ISIR.
- ♦ Federal Perkins Loan and FSEOG Program award: Documented award to the student.
- ♦ Direct Loan: Created an electronic origination record.
- ♦ FFEL: Certified loan application.

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- Group Discussion: A case study appears on the next page. This case study places the institution in a difficult situation. Take several minutes to read it and formulate some responses to the case study's questions.

You are the business officer at AAA College. A number of students left school in the spring with high outstanding balances, and it is too late to process late disbursements of FFEL funds. These students never enrolled for fall classes because the college has a policy that students are not allowed to register for and attend classes if they have an outstanding balance. Facing a significant enrollment shortfall, however, senior management adopts the following strategies:

- ◆ The business office will identify all prior-year students who have not yet enrolled for fall classes due to an outstanding balance.
- ◆ The business office will send a letter to these students urging them to contact the financial aid office because funds may be available to cover their outstanding balances.
- ◆ The financial aid office is instructed to construct a cost of attendance that maximizes books, transportation, and other expenses, to enable students to borrow as much subsidized and unsubsidized FFEL funds as possible.
- ◆ The financial aid office is also instructed to revise the award letter so that it lists a student's subsidized and unsubsidized loan eligibility and the amount of Federal PLUS Loan eligibility.
- ◆ The business office is instructed to "clear" students with outstanding balances and allow them enroll for fall if FFEL funds for the new academic year can be increased to cover these balances.

A number of students have outstanding balances of \$500 to \$10,000. They are anxious to return and are willing to sign for any loan amount to attend classes. These same students have excess loan dollars after Title IV funds have been applied to current charges due to the increased cost of attendance.

- ◆ As an institution, how do you respond to these strategies?
- ◆ What would you communicate to senior management?